



New Jersey Casino Control Commission

2003 Annual Report

The 2003 Annual Report of the New Jersey Casino Control Commission
is submitted to the Governor and New Jersey Legislature.



*Governor
James E. McGreevey*

MEMBERS OF THE COMMISSION



*Chair Linda M. Kassekert and Vice Chair William T. Sommeling, Commissioners Michael C. Epps,
Michael A. Fedorko and Ralph G. Frulio*

Photographed by AC Photo, Linwood, New Jersey at the Civil Rights Garden, Martin Luther King Jr. Blvd., Atlantic City, New Jersey.

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MESSAGE FROM THE CHAIR



Chair Linda M. Kassekert

After a quarter century of casino gaming, Atlantic City has entered a new era – one in which the gaming industry should see dramatic changes. If you look around Atlantic City, the signs of those changes are all around. In fact, the city is in the middle of its greatest expansion since gaming first began in 1978. New hotel rooms, new restaurants, new shops and new attractions are open-

ing and are creating a powerful new draw for visitors. It is a multi-billion dollar transformation that will result in more visitors spending more time, and probably more money, in Atlantic City. And it is one that will result in more tax revenue, more jobs and more business opportunities as well.

The start of this new era was clearly evident in 2003 with the opening of the 2,002-room Borgata Hotel Casino and Spa as well as the completion of a 500-room addition to the Showboat Hotel Casino. The Borgata, the first all-new casino hotel to open in Atlantic City since 1990, clearly energized the city and started to attract a whole new segment of the market. It is helping to revitalize the image of the city as a more attractive destination.

In 2004, another 1,000 hotel rooms will open at Resorts and the Tropicana. When those are complete, they will represent a 30 percent increase in the number of rooms in just an 18-month period. With all of the new rooms will come approximately two million additional overnight visitors and those new visitors will find a vast new array of new attractions – from the shops at The

Quarter in Tropicana and the outlets and entertainment venues of The Walk along Michigan Avenue.

The addition of new rooms and a variety of other new attractions are vital in the effort to compete against other jurisdictions. The Commission is well aware of the possibility of competition from across our state's borders and the potential impact that might have. Slot machines have already gone into operation in race tracks in New York and other tracks will follow soon. In addition, officials in Pennsylvania and Maryland are pushing to legalize slot machines in those states as well. The concentration of investment in Atlantic City – the rooms, restaurants, entertainment, shopping and other lures – will be a powerful magnet to attract people here to do more than just gamble.

To help the industry to compete, New Jersey needs to maintain the sound, sane regulatory and economic environment that has been instrumental to the industry's development to date. The Commission regularly reviews its regulations and looks for ways to allow casinos to operate more efficiently and effectively. It also makes recommendations to the State Legislature on potential changes to the Casino Control Act that can streamline the way New Jersey regulates casinos.

One example of the kind of regulatory changes that the Commission approved was the introduction of "cashless" slot machines. In 2003, the Commission approved several different systems that allow patrons to receive their slot machine winnings through a bar-coded coupon that could be redeemed or inserted in another slot machine to continue playing. It represented a major advancement in technology for casino operators.

The Commission also completed an internal restructuring in 2003 that has helped the agency operate more efficiently and effectively. The Commission's attorneys now all report to the

General Counsel and a new Chief of Staff is overseeing much of the day-to-day operations of the agency. The Commission also enhanced its Information Technology Unit to allow the agency to implement major technological advances.

The Commission continues to look for ways to streamline the regulatory process and keep costs under control. In 2003, Gov. McGreevey asked all agencies in state government to maximize efficiency and to try to do more with less. The Commission heeded his call and during the 2003 fiscal year, the Commission did an exceptional job of keeping costs under control. The result was an \$8.3 million refund of regulatory fees to the casino industry.

Of course, throughout the review of any changes and efficiencies, the Commission never loses its focus on its most important mission: maintaining integrity and public confidence. The key to the success of the gaming industry in New Jersey is twofold: the ability to ensure that the people who own or run casinos, and those they conduct business with, are people of good character, honesty and integrity; and ensuring that the games are fair. The state has never wavered in its commitment to maintaining that level of integrity. And as long as I am Chair, it never will.

It is, after all, that focus on integrity which gives gamblers confidence they aren't being cheated, gives seniors confidence they are getting the tax benefits they were promised and gives Wall Street confidence that Atlantic City is a sound place to invest. The end result of that confidence is not only a stronger, healthier and more vibrant casino industry, but a stronger, healthier and more vibrant New Jersey.

Jude M. Kassecker



Top: Showboat Hotel Tower opened May 2003

Middle: Resorts 459-room hotel tower scheduled to open summer 2004

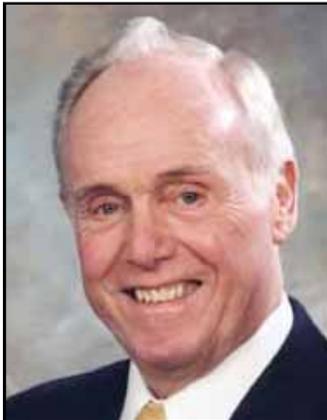
Bottom: Tropicana's 502-room hotel tower and 200,000 sq. ft. retail area, "The Quarter" scheduled to open fall 2004

MEMBERS OF THE COMMISSION



*Linda M. Kassekert
Chair*

Linda M. Kassekert was appointed by Gov. James E. McGreevey in November 2002 to chair the New Jersey Casino Control Commission. Prior to joining the Commission, Chair Kassekert was the associate director of government relations for the New Jersey Education Association and also had 12 years of experience in various positions in state and county government. She spent a year as an assistant county counsel in Camden County in 1994 and 1995. She represented the county in the state courts in litigation dealing with employment law, contracts and other governmental matters. Between 1990 and 1994, Chair Kassekert was the deputy commissioner in the New Jersey Department of Personnel in Trenton and served for a period as acting commissioner. She holds a law degree from Widener University School of Law and is admitted to practice in New Jersey and Pennsylvania. In addition, she received a masters degree in Public Policy from Rutgers University and a bachelor of science degree in political science from Gettysburg College. In 2003, Gov. McGreevey appointed Chair Kassekert to serve as the Commission's representative and member of the Casino Reinvestment Development Authority. Chair Kassekert is the first woman to be named chair of the Commission. Her term expires in 2007.



*William T. Sommeling
Vice Chair*

William T. Sommeling was appointed to the New Jersey Casino Control Commission by Gov. Christine Todd Whitman in November 2000. Prior to joining the Commission, he served as undersheriff in Ocean County for 11 years. Commissioner Sommeling has more than 35 years of experience in law enforcement, including several positions in casino surveillance departments within the gaming industry. Active in politics for years, he held many positions in local and county government. He completed his undergraduate studies at Ocean County College and Trenton State College earning a bachelors of science degree in Criminal Justice. He also earned a masters degree in Administration from Rider University and also attended Cornell University's School of Hotel Administration. Commissioner Sommeling is active in a number of professional and civic organizations, including the FBI National Academy Associates, International Association of Chiefs of Police and the Emerald Society of New Jersey. In January 2004, Commission members elected him vice chair. His term expires in 2005.

Michael A. Fedorko was appointed to the New Jersey Casino Control Commission by Gov. Christine Todd Whitman in November 1999. Commissioner Fedorko came to the Commission after more than 30 years in the New Jersey State Police, retiring as the Acting Superintendent. Commissioner Fedorko is a veteran of the United States Marine Corps serving in Vietnam. He completed his undergraduate studies at Trenton State College earning a bachelor of science degree in Criminal Justice. He earned a masters degree in Governmental Administration from the University of Pennsylvania and attended the Management Program for Senior Executives in State and Local Government at the John F. Kennedy School of Government at Harvard University. He serves on the board of the Marine Corps Law Enforcement Foundation, the McGuire Memorial Foundation, and the International Association of Chiefs of Police. In January 2002 and 2003, Commission members elected him vice chair. His term expires in August 2004.



*Michael A. Fedorko
Commissioner*

Michael C. Epps was appointed to the New Jersey Casino Control Commission by Acting Gov. Donald T. DiFrancesco and was sworn into office in January 2002. Prior to his appointment, Commissioner Epps served as general counsel for the Atlantic City Board of Education for four and a half years. For a year before joining the Board of Education, he was an associate with the law firm of Horn, Goldberg, Gorney, Plackter, Weiss & Perskie in Atlantic City. The first Atlantic City native to serve on the Commission, Commissioner Epps graduated from Atlantic City High School. He earned a bachelor of science degree in Broadcast Journalism from the University of Maryland and a Juris Doctorate from Howard University School of Law. He is a member of the American Bar Association, the New Jersey Bar Association and the Atlantic County Bar Association. He currently serves as commissioner on the Atlantic County Utilities Authority, is a member of the Advisory Board of the First Tee of Greater Atlantic City and serves on the Board of Directors of Atlantic City Special Improvement District. His term expires in 2006.



*Michael C. Epps
Commissioner*

Ralph G. Frulio was appointed to the New Jersey Casino Control Commission by Gov. James E. McGreevey and was sworn into office in May 2003. Commissioner Frulio served the remaining months of former Commissioner Diane M. Legreide's unexpired term. He became the the first former Commission employee to rise through the ranks from an inspector in 1978 to become a commissioner in 2003. Prior to his employment with the Commission, Commissioner Frulio worked for the Federal Bureau of Investigation as part of the Anti-Racketeering Unit in New York City. He holds a masters degree in Public Administration from the University of Central Michigan and a bachelors degree in Political Science from Richard Stockton State College. Commissioner Frulio is also a veteran of the United States Air Force. In January 2004, he was sworn in as Commissioner for his own five-year term. His term expires in 2008.



*Ralph G. Frulio
Commissioner*

EXECUTIVE MANAGEMENT OF THE COMMISSION



*Rosemary Graziano
Chief of Staff*



*Dianna Fauntleroy
General Counsel*



*Richard P. Franz, Director
Division of Compliance*



*Noreen Iannuzzi, Director
Division of Financial Evaluation*



*Linda Brooks, Director
Division of Administration*



*Christopher D. Storcella, Director
Division of Licensing*



*Daniel Heneghan
Public Information Officer*



*Marvin Askins
Affirmative Action Officer*

OPERATIONS OF THE COMMISSION

Chief of Staff's Office

In October 2003, Rosemary Graziano was appointed as the Commission's new Chief of Staff, a position that had been vacant since the mid-90's. Ms. Graziano was previously employed by the New Jersey Education Association (NJEA) since 1986.

The Chief of Staff reports directly to the Chair. Her primary responsibility is to ensure that the Commission functions effectively. She oversees the Commission's monitoring of legislative activities and is the principal advisor to the Chair and Commissioners in this area. She helps provide direction for strategic planning, agency-wide policy development and implementation of plans and policies. She is also involved in the Commission's budget process and handles all administrative matters for the division directors. The distribution of monthly and quarterly casino industry financial reports and requests for copies of other documents and reports is also handled by this office.

The Public Information Officer, Daniel Heneghan reports directly to the Chief of Staff. Mr. Heneghan is responsible for media relations for the Commission. He responds to inquiries from the news media, the general public, stock analysts, investment bankers and government officials. He provides detailed information on the regulatory system, the casino industry and the impact of casino gaming on the city and the state. He also writes speeches and prepares multi-media presentations for members of the Commission, and assists other Commission staff to create presentations for professional conferences and other events.

The newly created Community and Employee Events Unit also reports to the Chief of Staff. This unit assisted in providing a number of employee events in 2003, including Commission nights at the Atlantic City Surf and Boardwalk Bullies games, Black History Month events, a Multi-Cultural Diversity Day and others.

This unit includes the Publications Coordinator, Lisa Spengler who designs, produces and distributes the Commission's Annual Report, Casino Revenue Fund and New Jersey Self-Exclusion Program brochures and others.

In its community relations function, the unit provides technical support and assistance to various community groups, schools and non-profit organizations throughout Atlantic County. In 2003, the Community Relations Coordinator, Elizabeth Innocenzi was designated as committee chair for the Commission's Self-Exclusion Awareness Program for compulsive gamblers. The objective is to reach out to community groups and organizations and to inform and educate individuals on the program's existence. The program also provides self-exclusion sign-up opportunities to help individuals deal with gambling problems. Also in 2003, the Community Relations Coordinator was invited to serve as a planning committee member for the 2004 New Jersey Governor's Conference on Tourism.

The Chief of Staff's Office also works with the Affirmative Action Unit in providing recommendations to the Chair on staffing needs and how to best implement regulations. It also monitors Affirmative Action issues both internally and throughout the industry. In 2003, the Commission held a public hearing on proposed revisions to its equal employment opportunity rules affecting the casino industry. Throughout the year, discussions were held with representatives of the Casino Association of New Jersey, the Atlantic City community and the Governor's Office, to develop consensus on an effective response to further the state's goal of assuring equal employment opportunity to all persons who wish to participate in the benefits of legalized casino gaming in New Jersey.

Office of the General Counsel

In August of 2003, Dianna W. Fauntleroy was appointed as the Commission's new General Counsel. Prior to her appointment, Mrs. Fauntleroy was in private practice for over 16 years and served as the Legislative Counsel to the Atlantic City Council and as the Municipal Judge in Pleasantville. Preceding the appointment of Mrs. Fauntleroy was the retirement of Dennis Daly who served as the General Counsel from July 2002 until his retirement. Prior to his term as General Counsel, Mr. Daly dedicated years of service to the Commission, having been a critical member of the Commission's legal team since 1981.

The first order of business for the new General Counsel was to consolidate all of the Commission's legal staff under the General Counsel's Office. The General Counsel's Office is now composed of three units: the Licensing Unit (formerly known as the Licensing Legal Advisory Unit), the Compliance Unit (formerly known as the Compliance Legal Advisory Unit) and the Casino Licensing and Regulatory Affairs Unit (formerly known as the General Counsel's Office). The Licensing Unit continues to advise the Commission on the majority of the agency's contested cases. The Compliance Unit remains responsible for providing legal advice to the Commission and its Compliance Division on matters relating to accounting and internal controls, gaming equipment, the rules of the games, casino floor expansions and the approval of new wide-area progressive slot machine systems. The Casino Licensing and Regulatory Affairs Unit handles all casino licensing and renewals and is the unit primarily responsible for regulatory review.

During the 2003 calendar year, the Licensing Unit opened 825 new contested license and casino violation cases. It also managed an average of 520 cases per month, scheduled 18 hearings, and closed 877 cases by year's end. Significant cases handled by

this unit included the Maztec and DiMaria matters, which dealt with allegations of organized crime involvement. In both matters, the Commission, with the assistance of its attorneys, decided whether licensing these applicants' would be inimical to the policy of the Casino Control Act. Developing these decisions required extensive analysis of reams of documentary evidence and assessments of witness testimony.

The Licensing Unit, led by Assistant General Counsel Steven Ingis, also advised the Commission in several unique cases. Included in these cases was one in which the Commission was asked to determine the level of responsibility held by a casino licensee in protecting its employees from the discriminatory demands of its patrons. Another case was the landmark matter of DiBartolomeo in which the Commission reached an equitable decision on whether to permit a previously disqualified casino chief executive to return to a working position in the industry. Additionally, as a result of the efforts of the attorneys in the Licensing Unit, the Superior Court of New Jersey, Appellate Division, upheld the Commission's decision in the Moy matter which solidified support for the Commission's long-standing policy of holding applicants to the highest financial responsibility and character standards.

The Compliance Unit was integrally involved in the opening of Atlantic City's newest casino, the Borgata Hotel Casino and Spa, drafting more than a dozen regulations sought by the casino for its opening, including authorizing gaming voucher redemption machines, non-cashable promotional credits and multi-denominational slot machines. The attorneys in this unit, led by Assistant General Counsel E. Dennis Kell, must remain abreast of advances in the industry as they are called upon to draft the regulations necessary to implement new gaming technologies and new games and

wagers. The legal analyst assigned to this unit processes formal complaints filed by patrons regarding casino operations. More than 400 complaints were processed in 2003.

The Casino Licensing and Regulatory Affairs Unit was primarily responsible for assisting the Commission in the initial licensing of Borgata which opened on July 1, 2003. The opening of Borgata represented the first casino opening in thirteen years.

During 2003, the Casino Licensing and Regulatory Affairs Unit, led by Assistant General Counsels, Dave Missimer, Len DiGiacomo and Mary Wozniak, assisted the Commission during several casino license renewal hearings, and through the adoption of a number of innovative regulatory proposals. Casino licenses were renewed for Trump Marina Associates, Trump Taj Mahal Associates, Trump Plaza Associates, and Adamar of NJ, Inc. The license for the Tropicana (Adamar of NJ, Inc.) was renewed in November in the midst of the company responding to the tragedy of its parking garage collapse during mid-construction.

As a part of its on-going regulatory review responsibilities, the Casino Licensing and Regulatory Affairs Unit processed approximately 40 regulatory proposals involving amendments to over 150 sections of the Commission's regulations. Twenty-eight of these proposals were temporarily adopted by the Commission pursuant to N.J.S.A. 5:12-69(e). The temporary adoption process enables the Commission to determine whether proposed regulatory changes should be adopted on a permanent basis after being observed in actual practice. Additionally, the legal specialists assigned to this unit analyzed and prepared for Commission review 19 applications for plenary qualification and 20 applications for temporary qualification of the directors and office holders of casino licensees.

The Commission also adopted various regulatory proposals that permitted the implementation of technological advances in the slot machine industry, such as tokenization and multi-denominational slot machines. Tokenization permits a slot machine game to be played with slot machine wagers that are different in value than the slot token that is used to activate the slot machine. A multi-denominational slot machine is a slot machine that contains one or more slot machine games on which a patron has the option to make wagers in different denominations.

By year's end, the Commission had permanently adopted 24 regulatory proposals that included amendments to 127 sections of the regulations. These regulatory proposals addressed a wide variety of gaming and internal control issues and were consistent with the continuing efforts of the Commission to streamline the regulatory process whenever possible.

Division of Administration

Under the leadership of Director Linda A. Brooks, the Division of Administration plays a major role in providing comprehensive information, training, technology, and critical administrative functions to the Commission.

The Administrative Operations Unit, under the direction of John Kovac, is the organizational hub of the Commission. It is responsible for two core functions: seamless public meeting scheduling and coordination, and comprehensive facilities management. The unit processes all incoming and outgoing mail, oversees the publication of Commission regulations, organizes public meetings, maintains central files, and manages all transportation and facilities-related concerns. In 2003, the unit was extensively involved with emergency management initiatives at the federal, state and local level. In 2004, the unit will oversee the development of an agency-wide Business Continuity Plan.

The Budget and Fiscal Office, under the direction of Jody Feldman Karsevar, oversees the Commission's annual budget. The unit is responsible for all purchases and payments to vendors, and for providing agency fiscal operations services. In 2003, the unit participated in a Department of Commerce contract-awarding program designed to stimulate the economic growth of qualified New Jersey small businesses. In 2004, in addition to continuing its goal of reducing the Commission's operating costs, the unit will begin streamlining internal documents through the use of forms-flow technology, resulting in reduced costs and improved customer services.

The Human Resources Unit, under the direction of Dolores P. Hamilton, is responsible for all personnel and employee services, including new hires, promotions, retirements, financial disclosures, time/leave reporting and employee benefits and compensa-

tion. In 2003, the unit restructured the Commission's recruitment process, began an extensive cross-training initiative, and reorganized Commission-wide band specifications and compensation schedules. In 2004, the unit will focus on improved customer service through new initiatives in the areas of time and attendance, employee digital identification, and updated policies and procedures.

The Information Technology Unit, under the direction of Gloria J. Broeker, strives to exceed agency demands for efficient and reliable technology services. In 2003 the unit significantly improved operations and increased the Commission's ability to deliver technology services to the public and the casino industry. Enhancements were made in existing hardware and applications to enable the Commission to perform more effectively when providing public services such as the issuance of casino employee licenses. In 2004, continued expansion of "business to business" capabilities is planned via the implementation of an eGovernment strategy that leverages the existing State of New Jersey internet-based infrastructure.

Over the past 26 years, the Division of Administration has kept pace with the ever-changing needs of the Casino Control Commission. The coming year promises to bring more demanding requirements to the Division of Administration, but it is confident that it will again exceed Commission expectations at all levels.

Division of Compliance

The Division of Compliance consists of a Director's Office and two operating units – the Casino Operations Unit and the Inspection Unit. The Division of Compliance is the largest division in the Commission, comprising over half of the agency's work force.

Richard P. Franz, the Director of the Division of Compliance, interacts regularly with the highest levels of casino executive management and advises the Chair and Commissioners on all matters related to gaming operations.

The Casino Operations Unit, under the management of Barbara Mattie, is responsible for assuring that each casino licensee provides a system of effective controls over its gaming operations and is in compliance with the requirements of the Casino Control Act and related regulations in the area of gaming operations. The unit reviews internal control submissions filed by casino licensees in accordance with Section 99 of the Casino Control Act, and also reviews submissions seeking approval of new gaming equipment, new games and new rule options on existing games. In 2003, the unit reviewed over 2,100 internal control submissions.

The Inspection Unit, led by Rochelle Jefferson, has the most visible role in the regulatory process. Inspectors ensure the integrity of casino operations by monitoring gaming activities and observing the collection, counting and certification of all gaming revenues. Inspectors also provide feedback to the Commissioners and management on the implementation of newly approved gaming technologies and procedures, and also observe and report any problems or irregularities in casino operations. Inspectors are responsible for receiving and recording any complaints from gaming patrons.

The major highlight for the Division of Compliance in 2003 was the opening of the Borgata Hotel Casino and Spa, the first entirely new casino to open in Atlantic City since 1990. The opening was the culmination of years of work on the part of employees in both the Casino Operations Unit and the Inspection Unit to ensure that the Borgata met all statutory and regulatory requirements prior to opening to the public.

In addition to the work related to the Borgata opening, the Compliance Division also dealt with a dramatic increase in the number of electronic gaming system submissions and the use of new equipment during 2003. These included the IGT EZ Pay system, and the Bally Gaming and Systems ACSC and SDS eTicket systems and new currency counting equipment.

In addition to the Borgata opening, the Principal Inspectors assigned to each facility reviewed and approved numerous casino floor modifications, table game and slot machine movements, and changes to other gaming areas.

The Inspection Unit also implemented a new "zone" schedule during the year, which resulted in significant improvements in the way staff is allocated throughout the operating casinos with lower operating costs.

The Division of Compliance's Legal Advisory Unit, which is responsible for matters pertaining to gaming, accounting and internal controls for the Commission, was incorporated into the Office of the General Counsel in connection with a reorganization of that office in 2003.

Division of Financial Evaluation

The Division of Financial Evaluation, led by Director Noreen Iannuzzi, is responsible for the appraisal and study of casino finances and overseeing the financial reporting requirements of the casino industry. Each of its three units, Financial Evaluation, Revenue and Audit, provided oversight of millions of dollars in financial transactions during 2003.

Under the direction of Christopher Glaum, the Financial Evaluation Unit analyzed a variety of complex financial transactions in 2003, including Trump Marina's debt refinancing, the ongoing financial flexibility of the Trump properties and Tropicana in conjunction with their casino license renewals, and evaluated the financial wherewithal of Borgata for its initial casino license. The unit also prescribes the financial reporting requirements of the industry and plays a key role in providing statistical information to the public. Finally, the Financial Evaluation Unit is developing a new database that incorporates the electronic transfer of information between the Commission and casino licensees, which should significantly improve the financial reporting process.

During fiscal year 2003, the Revenue Unit, led by Kevin Garvey, collected \$346.5 million in Gross Revenue Tax. It also collected an additional \$662,528 in fines, a portion of which were deposited to the State's General Fund to provide funding for the Council on Compulsive Gambling of New Jersey.

The Revenue Unit collected \$65.4 million in licensing fees from the casino industry to fund the fiscal year 2003 operations of the Casino Control Commission and Division of Gaming Enforcement. Casino licensees remitted an additional \$6.9 million to this unit for the Atlantic City Fund as the result of certain budgetary savings realized by the regulatory agencies.

Since the inception of casino gaming, the Revenue Unit has collected \$5.6 billion in Gross Revenue Tax, \$1.2 billion in license fees, \$11.9 million in fines and \$55.2 million in Atlantic City Fund contributions.

During 2003, the Revenue Unit commenced an initiative with the state's Division of Revenue whereby that agency will assist the Commission in collecting delinquent receivables. This partnering with the Division of Revenue will further ensure that minimal bad debt expense is recognized by the Casino Control and Casino Revenue Funds.

Audit Unit manager Marybeth Butler guided the completion of comprehensive tax examinations to certify each licensee's casino revenue and verification of the sufficiency of the above noted gross revenue tax payments to the state. This was a daunting task this year with the introduction of three different voucher systems throughout the industry. While the voucher systems greatly enhance customer service and are simple in theory, the accounting issues associated with ensuring the proper reporting of gross revenue are quite complex.

The unit also dealt with the difficulties of opening the Borgata casino, the first new casino in over ten years. Borgata implemented many new technologies in addition to a voucher system that required innovative and timely responses to varied accounting issues.

Another important duty of the unit is to provide an internal audit function to the Commission, ensuring that the agency complies with various state guidelines regarding internal control procedures.

Division of Licensing

The Division of Licensing, headed by Christopher D. Storcella, is responsible for all phases of casino employee licensing, business enterprise licensing and casino hotel alcoholic beverage licensing. The division consists of four operating units: the Employee License Unit, the Enterprise License Unit, the Support Services Unit, and the Director's Office. In addition to performing its customary licensing activities, the division focused much of its attention in 2003 to opening Atlantic City's newest casino hotel, the Borgata Hotel Casino and Spa.

The Employee License Unit, under the direction of John Bowman, worked closely with the Borgata to approve its jobs compendium and internal controls prior to opening and to process a near record number of employee license applications during spring 2003. To speed the application process, the unit implemented a change that allows applications to be accepted before fingerprinting thus reducing the time employees must wait before beginning their employment. Additionally, the unit implemented regulations that enhance the integrity of the licensing process by tying non-citizens' employee license expirations to the expiration of their Immigration and Naturalization Services employment authorization.

In 2003, the Enterprise License Unit, led by Sharon Hand, continued a trend that started in 2002 by processing approximately 10% more non-gaming casino service industry license applications due, in part, to the construction of the Borgata and to other pre-opening purchases by the casino hotel. Additionally, the unit collaborated with the casino industry to streamline the vendor registration process by allowing casinos to file registration forms electronically instead of as typed Commission-issued forms. This represents a much more efficient and faster way for casino hotels to file registration information with the Commission. Staff of the Caesars Entertainment, Inc. Atlantic City casino properties devel-

oped the new registration form templates and shared them with the other Atlantic City casino properties.

The Support Services Unit, headed by Kathaleen D. Hamer, worked with Commission staff and Borgata personnel in 2003 to successfully transmit employment and licensing information electronically to ensure adequate staffing levels for the casino hotel's opening. The unit also assisted the Employee License Unit with testing and training for its new citizenship and employment authorization tracking system and with the installation of new printers, video equipment and lighting for its Digital License Card system. Additionally, the unit's Records Section, which maintains more than 50,000 active files for the Division of Licensing, responded to over 63,000 access requests during the year.

Finally, the Director's Office, which oversees casino hotel alcoholic beverage (CHAB) licensing, recommended the approval of the Borgata's CHAB license and coordinated with the City of Atlantic City in connection with a new city ordinance to extend the premises of six CHAB licensees to permit the service of alcoholic beverages on the beach. The office also began to implement an E-government application that will improve the licensing process by offering a variety of services and information via internet, including electronic forms and on-line help, changes of address, and appointment scheduling.

The Division of Licensing's Legal Advisory Unit, which is responsible for the management of the contested case hearing and settlement process for the Commission, was incorporated into the Office of the General Counsel in connection with a reorganization of that office in 2003.

Affirmative Action Officer

The role of the Affirmative Action Officer is to ensure that the Commission adheres to all Federal and State laws and equal employment opportunity and affirmative action policies for the protection of all employees at the Commission. Equal Employment orientation sessions are provided to all new employees to make them aware of the State and Commission policies and procedures. All employees are also required to undertake sexual harassment training and pass a test on this important subject as part of this orientation.

During 2003, the Commission employed 354 employees of whom 177 (50%) were female and 97 (27%) were minority. The Commission hired 32 employees during this period, 12 (38%) were female and nine (28%) were minorities. The Affirmative Action Office also maintains a lead role in recruiting new employees for open positions and for the Commission's resume bank. This year, the Commission participated in career days held at Rutgers University campuses in Camden and New Brunswick, Stockton College and Rider University. Also included in this year's recruitment schedule were Camden's Housing Authority, Camden's EEO Community Action Program and Camden Community College's HireAbility Job Fair for physically challenged New Jersey Professionals seeking employment.

The Affirmative Action Office is also responsible for monitoring employee promotions within the Commission to ensure that persons seeking promotions are afforded equal opportunity for advancement. In 2003, the Commission promoted 25 employees of whom 13 (52%) were female and ten (40%) were minorities.

New Jersey Casino Control Commission

MISSION STATEMENT

The Casino Control Commission administers the Casino Control Act and its regulations to assure the public trust and confidence in the credibility and integrity of the casino industry and casino operations. The Commission also supports the continued development of tourist and convention facilities in Atlantic City which contributes to the economic strength and viability of the tourist, convention and resort industry in the State of New Jersey.

In order to successfully fulfill its mission, the Casino Control Commission adopts the following core organizational goals:

- 1. Decisions are guided by what is in the best interest of the organization and its responsibilities to assure the public trust and confidence in the credibility and integrity of the regulatory process and of casino operations;*
- 2. The development of positive customer relationships is a priority;*
- 3. The evolving demands of the industry are met promptly and efficiently; and*
- 4. Effective communication and teamwork are crucial to success.*

Linda M. Kassekert, Chair
January 28, 2004

EMPLOYEE RECOGNITION AWARDS

State of New Jersey Public Service Award Recipients



*Kathryn Durning, Division of Licensing
Customer Service Excellence Award*



*Sigrid Drucks, Commissioner's Office
Co-Worker Recognition Award*



*Jane Schollenberger, Division of Compliance
Co-Worker Recognition Award*



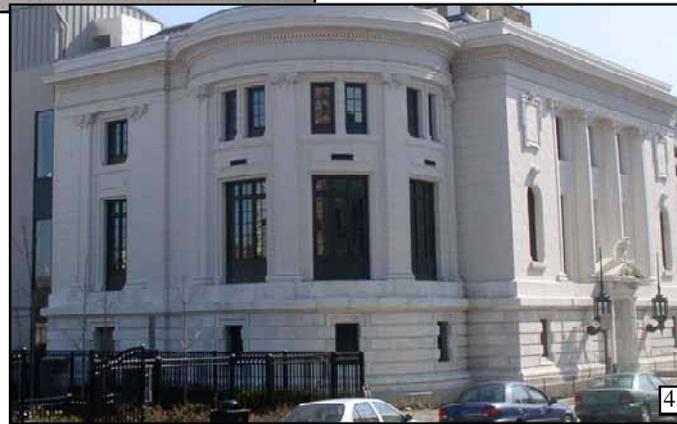
*Mary Bartolett, Scott O'Donnell and Donna
Martin, Division of Licensing (not pictured
Karen Kindle)
Team/Partnership Achievement Award*



*Barbara Gallo, Division of Administration
Longevity Award*

ATLANTIC CITY DEVELOPMENTS

Atlantic City continues to grow through the development of retail outlets, entertainment venues, educational facilities and more housing.



1. Portions of Atlantic City's newest retail outlet, *The Walk*, were opened for business in 2003
2. *Chesapeake Bay Gardens* scheduled to open spring 2004
3. *St. Michael's Roman Catholic Church Parish hall* was converted into a concert hall known as *Dante Hall*
4. The renovated and expanded historic 1904 *Carnegie Library* now hosts programs for the *Richard Stockton College of New Jersey*
5. *New Jersey Institute of Technology Housing Technology Demonstration Park*

COMMISSION STATISTICS



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NEW JERSEY CASINO INDUSTRY FACILITY STATISTICS AT DECEMBER 31, 2003 AND 2002

	AC HILTON		BALLY'S ATLANTIC CITY		BORGATA		CAESARS		CLARIDGE		HARRAH'S		RESORTS	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
TABLE GAMES:														
Blackjack	37	38	88	62	74	-	57	61	-	28	30	32	25	32
Craps	9	9	16	13	12	-	13	14	-	6	5	5	6	5
Roulette	10	10	24	20	13	-	15	15	-	4	8	7	8	8
Big Six	-	-	2	2	1	-	3	3	-	1	-	-	-	-
Baccarat	1	1	2	2	2	-	2	1	-	1	-	-	4	3
Minibaccarat	5	7	8	4	4	-	3	3	-	4	1	1	2	1
Sic Bo	-	-	1	1	1	-	1	2	-	-	-	-	-	-
Pai Gow Poker	4	4	8	6	4	-	4	4	-	2	1	1	1	1
Pai Gow	3	3	3	1	2	-	1	1	-	2	-	-	-	-
Poker	-	-	10	10	34	-	-	-	-	-	6	5	-	-
Caribbean Stud Poker	4	4	10	8	-	-	4	4	-	3	3	3	3	3
Let it Ride Poker	4	4	8	8	4	-	5	4	-	2	5	5	3	4
Spanish 21	-	-	10	6	4	-	6	6	-	4	1	2	2	2
Three Card Poker	7	5	13	8	8	-	9	7	-	4	7	7	5	5
Colorado Hold 'Em	-	-	-	1	-	-	-	-	-	1	-	-	-	-
Triple Shot (a)	-	-	-	-	-	-	-	-	-	-	-	1	-	-
Let's Get Wild Poker (a)	-	-	-	1	-	-	-	-	-	1	-	-	-	-
Boston 5 Stud Poker (a)	1	-	3	-	-	-	3	2	-	-	-	-	1	-
Double Cross Poker b)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Table Games	85	85	206	153	163	0	126	127	0	63	67	69	60	64
KENO WINDOWS	-	-	4	4	-	-	6	6	-	-	4	4	-	-
SLOT MACHINES:														
\$.05 Slot Machines	466	464	1,275	982	892	-	794	797	-	421	816	829	393	376
\$.25 Slot Machines	939	946	3,214	2,116	1,619	-	1,593	1,352	-	961	2,081	2,011	1,302	1,456
\$.50 Slot Machines	156	134	506	396	216	-	285	328	-	105	300	295	240	227
\$1 Slot Machines	291	294	768	572	484	-	438	511	-	189	821	758	255	293
\$5 Slot Machines	91	115	166	129	107	-	113	128	-	48	114	115	84	67
\$25 Slot Machines	12	8	27	21	16	-	15	18	-	6	10	11	9	6
\$100 Slot Machines	12	12	13	19	10	-	16	14	-	-	5	5	7	4
Multi-Denominational (c)	-	-	-	-	169	-	-	-	-	-	-	-	-	-
Other Slot Machines	52	31	175	76	79	-	120	86	-	-	92	88	64	45
Total Slot Machines	2,019	2,004	6,144	4,311	3,592	-	3,374	3,234	-	1,730	4,239	4,112	2,354	2,474
Casino Square Footage	59,612	59,612	179,108	129,998	115,892	-	117,910	117,378	-	49,260	127,049	127,049	63,294	65,292
Simulcast Square Footage	-	-	46,232	35,453	9,112	-	7,342	7,342	-	10,959	-	-	11,807	13,074
Number of Hotel Rooms	804	804	1,745	1,246	2,002	-	1,140	1,140	-	502	1,630	1,630	479	479 *
Number of Parking Spaces	1,825	1,825	4,086	2,840	5,775	-	2,938	2,666	-	1,142	3,822	3,822	1,336	1,349
Property & Equipment														
Gross (\$Millions)	\$ 555.3	\$ 548.4	\$ 1,265.8	\$ 1,146.5	\$ 1,021.6	-	\$ 903.4	\$ 880.5	-	\$ 88.5	\$ 795.6	\$ 762.8	\$ 212.7	\$ 158.8
Number of Employees	3,233	3,298	7,166	5,672	5,076	-	4,399	4,803	-	2,220	3,033	3,259	2,815	3,066

(a) Triple Shot commenced operations in July 2002. Let's Get Wild and Boston 5 Stud Poker commenced operations in November 2002.

(b) Double Cross Poker commenced operations in July 2003.

(c) Multi-Denominational Slot Machines approved for use in May 2003.

*N.J.A.C. 5:12-83 (c) requires a casino hotel to include an approved hotel containing at least 500 qualifying sleeping units. The Commission approved Resorts to fall under the 500 room requirement during construction of its new hotel tower.

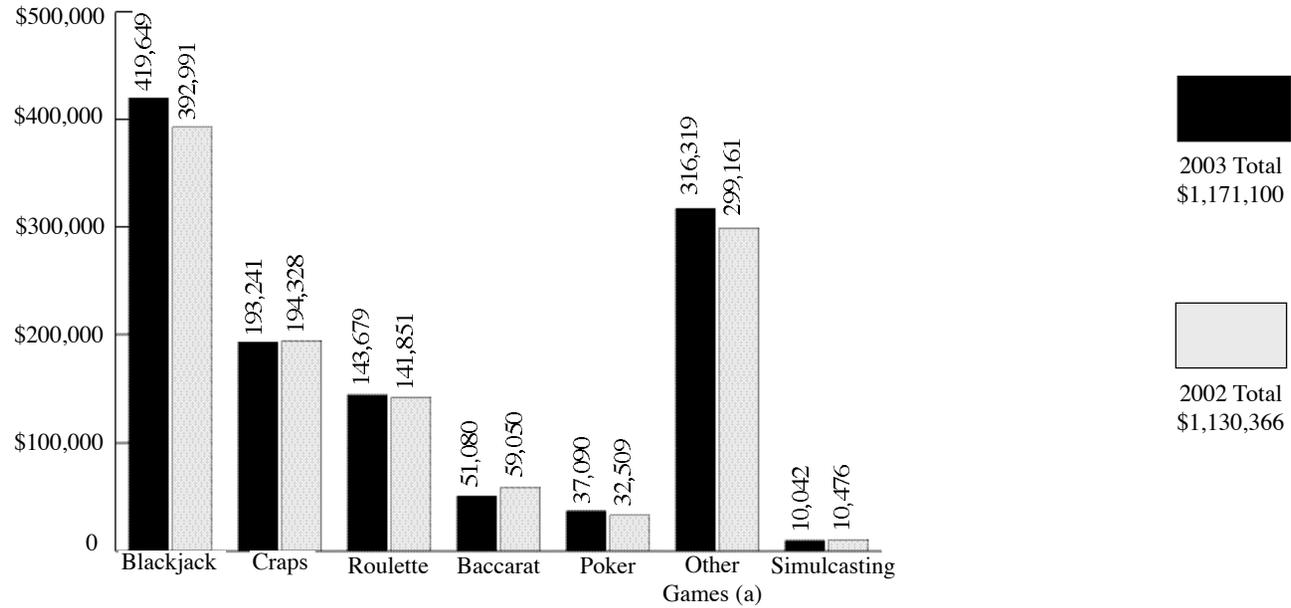
SANDS		SHOWBOAT		TROPICANA		TRUMP MARINA		TRUMP PLAZA		TRUMP TAJ MAHAL		INDUSTRY	
2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
31	15	25	26	66	66	39	40	41	41	55	55	568	496
5	3	5	5	10	10	7	8	6	7	11	10	105	95
8	5	6	5	13	13	6	9	9	9	13	14	133	119
-	-	1	1	1	1	-	-	1	1	1	2	10	11
1	-	2	2	3	3	2	2	2	2	4	5	25	22
1	-	2	1	6	6	2	2	8	7	7	8	49	44
-	-	-	-	1	1	-	-	1	1	1	1	6	6
1	-	3	3	6	5	3	3	5	5	7	7	47	41
-	-	2	-	6	6	1	2	3	4	4	4	25	23
14	-	-	-	42	43	-	-	-	-	66	66	172	124
2	-	2	3	3	5	2	3	3	3	3	4	39	43
3	1	3	2	3	5	2	3	3	3	4	3	47	44
2	-	2	2	2	3	2	2	2	2	6	5	39	34
5	3	5	5	7	5	7	6	5	4	9	7	87	66
-	-	-	-	-	-	-	-	-	-	-	-	-	2
-	-	-	-	-	-	-	-	-	-	-	-	-	1
-	-	-	-	-	-	-	-	-	-	-	-	-	2
1	-	-	-	2	2	1	-	1	-	2	-	15	4
1	-	-	-	1	-	1	-	-	-	-	-	3	-
75	27	58	55	172	174	75	80	90	89	193	191	1,370	1,177
-	-	-	-	-	-	-	-	-	-	2	3	16	17
519	602	907	690	1,039	964	637	553	705	708	998	973	9,441	8,359
1,052	1,117	2,200	2,011	1,929	1,898	1,188	1,261	1,590	1,620	2,417	2,694	21,124	19,443
150	143	198	143	350	316	197	177	189	219	345	336	3,132	2,819
356	308	517	448	736	657	340	362	285	288	710	645	6,001	5,325
76	90	109	81	131	106	73	90	73	73	142	125	1,279	1,167
6	8	4	4	17	14	11	18	13	13	13	14	153	141
5	5	4	4	12	9	6	12	6	6	9	7	105	97
-	-	-	-	-	-	-	-	-	-	-	-	169	-
38	49	35	109	189	160	49	55	45	35	36	32	974	766
2,202	2,322	3,974	3,490	4,403	4,124	2,501	2,528	2,906	2,962	4,670	4,826	42,378	38,117
58,527	61,812	101,586	89,769	140,026	128,885	65,057	65,000	91,181	91,181	120,549	120,138	1,239,791	1,105,374
19,424	16,560	14,109	14,109	8,380	8,380	14,601	16,182	-	-	36,846	36,846	167,853	158,905
637	637	1,309	765	1,625	1,625	728	728	904	904	1,250	1,250	14,253	11,710
1,684	1,684	3,051	3,051	3,189	3,281	2,986	2,986	2,698	2,778	7,180	7,180	40,570	34,604
\$ 208.4	\$ 195.7	\$ 666.8	\$ 594.6	\$ 947.4	\$ 818.7	\$ 581.9	\$ 571.1	\$ 665.3	\$ 653.0	\$ 1,140.8	\$ 1,115.2	\$ 8,965.0	\$ 7,533.8
2,221	2,511	3,052	3,176	4,490	4,739	2,742	3,016	3,073	3,512	4,859	5,548	46,159	44,820

NEW JERSEY CASINO INDUSTRY GROSS REVENUE STATISTICS

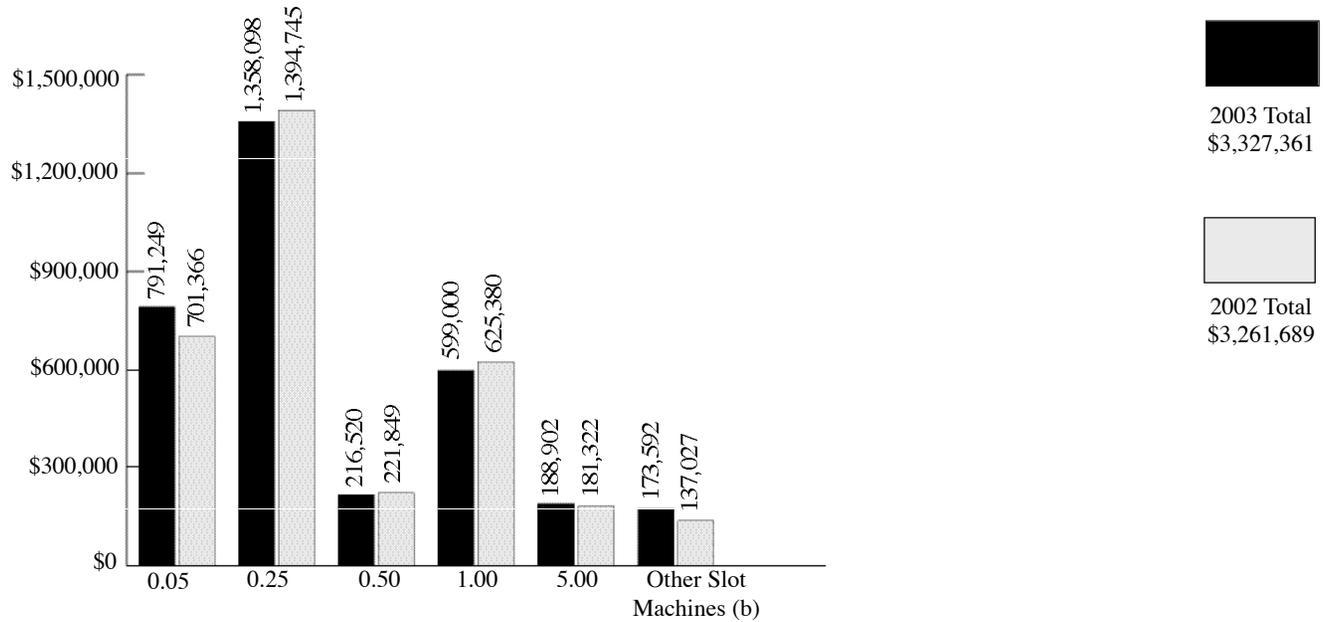
FOR THE TWO YEARS ENDED DECEMBER 31, 2003 AND 2002 (\$ IN THOUSANDS)

<i>Casino Hotel</i>		<i>Casino Win</i>	<i>Daily Average Casino Win</i>	<i>Adjustment for Uncollectibles</i>	<i>Gross Revenue</i>	<i>Tax</i>	<i>Market Share of Casino Win</i>
AC Hilton	2003	\$ 309,359	\$ 848	\$ 708	\$ 308,651	\$ 24,692	6.9%
	2002	\$ 308,054	\$ 844	\$ 1,758	\$ 306,296	\$ 24,504	7.0%
Bally's Atlantic City	2003	678,198	1,858	912	677,286	54,183	15.1%
	2002	526,673	1,443	1,656	525,017	42,001	12.0%
Borgata	2003	266,857	1,435	-	266,857	21,349	5.9%
	2002	-	-	-	-	-	n/a
Caesars	2003	519,087	1,422	1,327	517,760	41,421	11.6%
	2002	527,402	1,445	3,161	524,241	41,939	12.0%
Claridge	2003	-	-	-	-	-	n/a
	2002	159,467	437	181	159,286	12,743	3.7%
Harrah's Marina	2003	451,013	1,236	-	451,013	36,081	10.1%
	2002	451,047	1,236	205	450,842	36,067	10.3%
Resorts	2003	233,055	639	456	232,599	18,608	5.2%
	2002	262,774	720	2,033	260,741	20,859	6.0%
Sands	2003	185,729	509	1,188	184,541	14,763	4.1%
	2002	209,826	575	2,379	207,447	16,596	4.8%
Showboat	2003	377,755	1,035	49	377,706	30,217	8.4%
	2002	369,114	1,011	610	368,504	29,480	8.4%
Tropicana	2003	372,369	1,020	227	372,142	29,771	8.3%
	2002	406,917	1,115	1,615	405,302	32,424	9.3%
Trump Marina	2003	259,663	711	729	258,934	20,715	5.8%
	2002	283,004	775	2,028	280,976	22,478	6.5%
Trump Plaza	2003	318,250	872	342	317,908	25,433	7.1%
	2002	341,069	934	2,414	338,655	27,092	7.8%
Trump Taj Mahal	2003	517,085	1,417	1,590	515,495	41,240	11.5%
	2002	536,231	1,469	4,229	532,002	42,560	12.2%
TOTALS	2003	\$ 4,488,420	\$ 12,297	\$ 7,528	\$ 4,480,892	\$ 358,473	100.0%
	2002	\$ 4,381,578	\$ 12,004	\$ 22,269	\$ 4,359,309	\$ 348,743	100.0%

TABLE GAMES WIN COMPARISON FOR THE TWO YEARS ENDED DECEMBER 31, 2003 AND 2002 (**\$ IN THOUSANDS**)



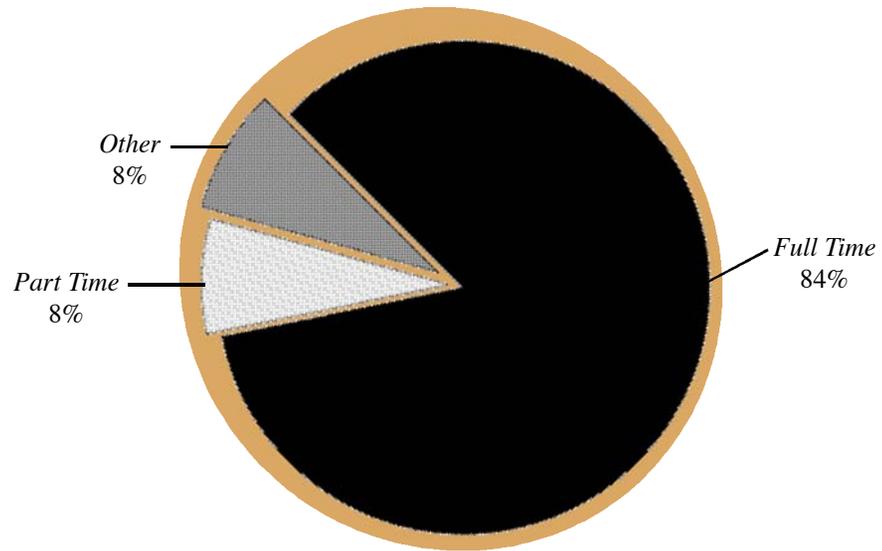
SLOT MACHINE WIN COMPARISON FOR THE TWO YEARS ENDED DECEMBER 31, 2003 AND 2002 (**\$ IN THOUSANDS**)



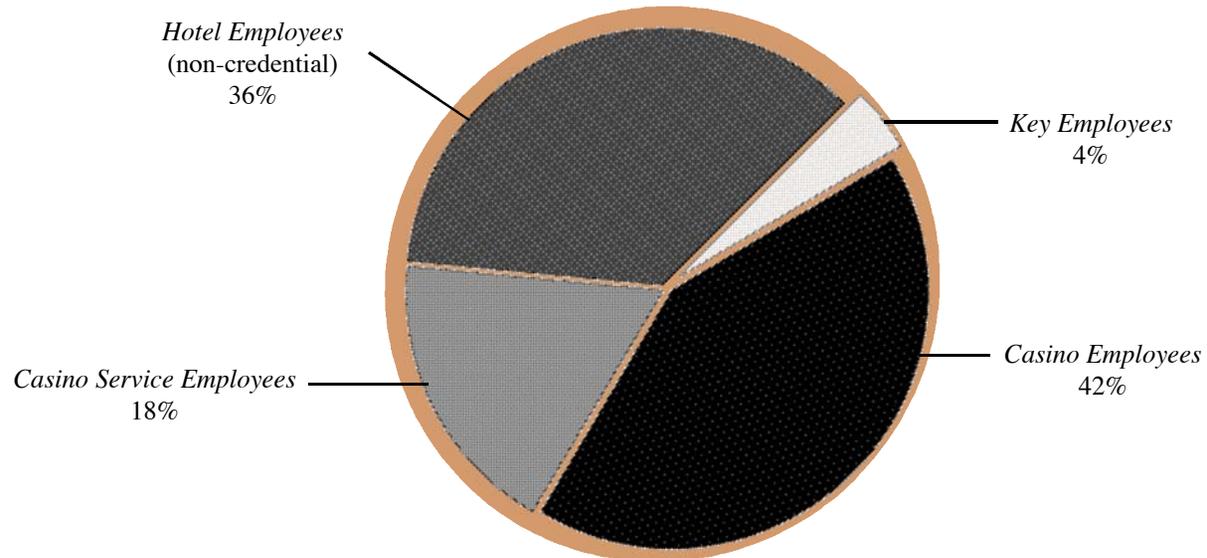
(a) Other games reflect Big Six, Minibaccarat, Sic Bo, Pai Gow Poker, Pai Gow, Keno, Caribbean Stud Poker, Let it Ride, Three Card Poker, Spanish 21, Colorado Hold'Em Poker, Triple Shot, Let's Get Wild Poker, Boston 5 Stud Poker and Double Cross Poker.

(b) Other slot machines include \$25 slot machines, \$100 slot machines, multi-denominational machines and other denomination machines.

NEW JERSEY CASINO INDUSTRY BY TYPE OF EMPLOYMENT FOR THE YEAR ENDED DECEMBER 31, 2003



NEW JERSEY CASINO INDUSTRY EMPLOYMENT BY LICENSE CATEGORY FOR THE YEAR ENDED DECEMBER 31, 2003



EMPLOYEE LICENSE AND REGISTRATION APPLICATIONS ACCEPTED AND ISSUED
 FOR THE YEAR ENDED DECEMBER 31, 2003

Casino Key Employees:

Applications Filed	276
Licenses Issued	169

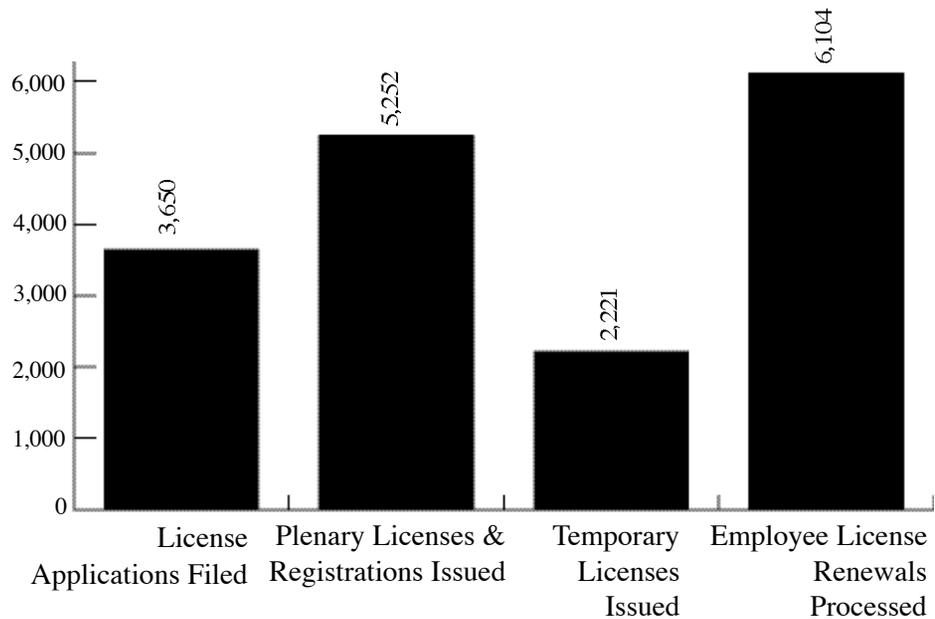
Casino Employees:

Applications Filed	3,374
Licenses Issued	3,130

Casino Service Employees:

Registrations Issued	1,953
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TOTAL EMPLOYEE LICENSE AND REGISTRATION APPLICATIONS ACCEPTED AND ISSUED
 FOR THE YEAR ENDED DECEMBER 31, 2003



NEW JERSEY CASINO INDUSTRY EMPLOYMENT STATISTICS FOR THE FOUR YEARS ENDED DECEMBER 31, 2003

	2003	2002	2001	2000
AC Hilton	3,233	3,298	3,337	3,389
Bally's Atlantic City	7,166	5,672	5,636	5,611
Borgata ¹	5,076	n/a	n/a	n/a
Caesars	4,399	4,803	4,646	4,432
Claridge ²	n/a	2,220	2,282	2,379
Harrah's Marina	3,033	3,259	3,172	3,550
Resorts	2,815	3,066	3,151	3,038
Sands	2,221	2,511	3,005	3,079
Showboat	3,052	3,176	3,129	3,194
Tropicana	4,490	4,739	4,958	5,181
Trump Marina	2,742	3,016	3,109	3,484
Trump Plaza	3,073	3,512	3,561	3,929
Trump Taj Mahal	4,859	5,548	5,606	6,160
TOTALS	46,159	44,820	45,592	47,426

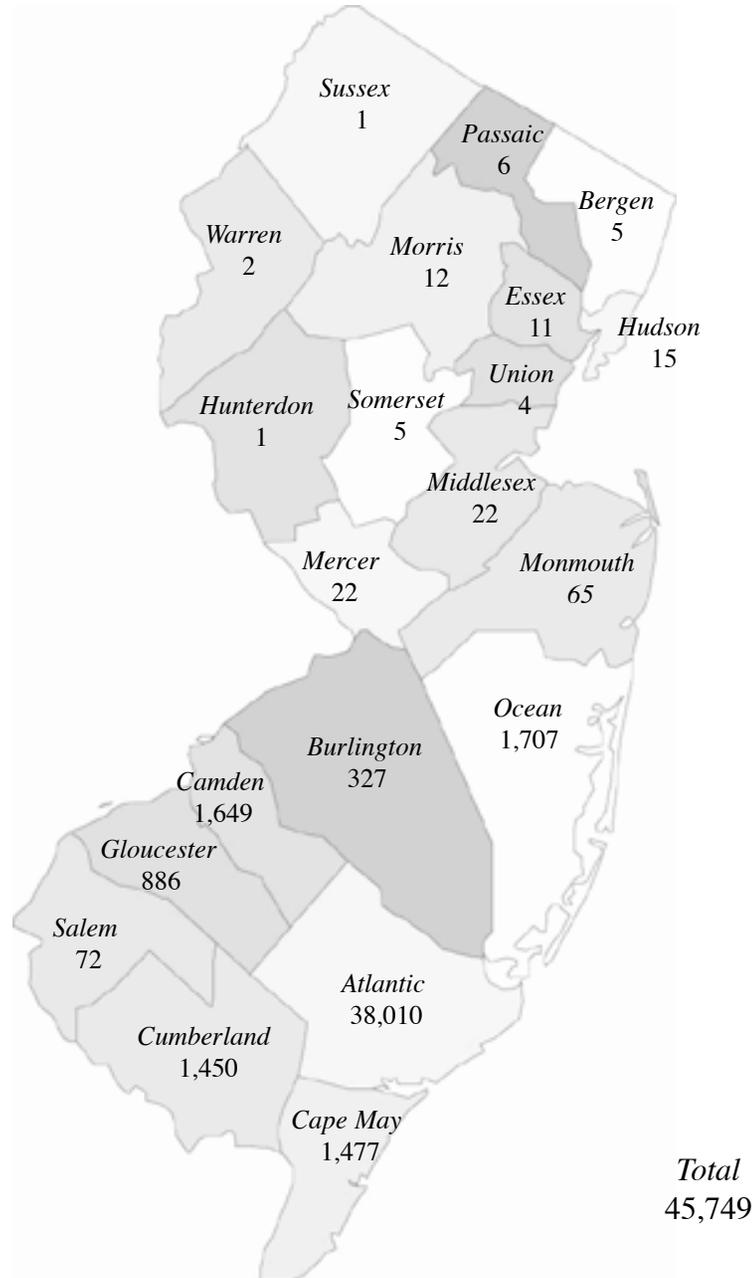
¹Borgata opened in July of 2003.

² Bally's Skyscraper Inc. t/a Claridge Casino Hotel merged with and into Bally's Atlantic City in December 2002.

NEW JERSEY CASINO INDUSTRY SALARIES AND WAGES FOR THE FOUR YEARS ENDED DECEMBER 31, 2003 (*\$ IN THOUSANDS*)

	2003	2002	2001	2000
AC Hilton	\$ 84,243	\$ 85,252	\$ 84,680	\$ 83,075
Bally's Atlantic City	181,890	138,920	137,382	136,494
Borgata	61,647	n/a	n/a	n/a
Caesars	110,748	116,560	112,041	111,013
Claridge	n/a	54,726	58,031	54,195
Harrah's Marina	82,635	83,450	82,397	87,186
Resorts	69,171	72,943	71,659	73,600
Sands	55,102	62,094	70,333	69,238
Showboat	80,252	80,174	79,892	80,610
Tropicana	94,600	101,174	102,505	103,539
Trump Marina	73,737	77,153	77,403	78,744
Trump Plaza	82,595	86,116	89,182	91,170
Trump Taj Mahal	130,100	136,713	136,438	138,240
TOTALS	\$ 1,106,720	\$ 1,095,275	\$ 1,101,943	\$ 1,107,104

EMPLOYMENT BY ATLANTIC CITY CASINO LICENSEES BY COUNTY FOR THE YEAR ENDED DECEMBER 31, 2003



Approximately 410 individuals are employed in the casino industry but live outside of New Jersey.

NEW JERSEY CASINO INDUSTRY TOTAL VOLUME OF VENDOR BUSINESS FOR THE CALENDAR YEAR 2003

	<i>Total Companies</i>	<i>Percent of Total Companies</i>	<i>Dollar Volume of Business</i>	<i>Percent of Total Business</i>
New Jersey Enterprises	2,611	100.00%	\$2,270,675,291	100.0000%
Atlantic	1,225	46.92%	\$1,592,210,677	70.1206%
Bergen	118	4.52%	\$17,596,649	0.7750%
Burlington	171	6.55%	\$64,295,007	2.8315%
Camden	212	8.12%	\$55,504,229	2.4444%
Cape May	85	3.26%	\$8,602,289	0.3788%
Cumberland	62	2.37%	\$17,934,351	0.7898%
Essex	70	2.68%	\$52,394,595	2.3074%
Gloucester	92	3.52%	\$22,635,885	0.9969%
Hudson	46	1.76%	\$26,305,136	1.1585%
Hunterdon	5	0.19%	\$1,086,893	0.0479%
Mercer	62	2.37%	\$16,692,722	0.7351%
Middlesex	78	2.99%	\$272,620,158	12.0061%
Monmouth	101	3.87%	\$40,174,468	1.7693%
Morris	50	1.91%	\$7,314,343	0.3221%
Ocean	86	3.29%	\$15,844,824	0.6978%
Passaic	34	1.30%	\$13,356,421	0.5882%
Salem	4	0.15%	\$178,915	0.0079%
Somerset	41	1.57%	\$38,616,474	1.7007%
Sussex	6	0.23%	\$39,124	0.0017%
Union	61	2.34%	\$7,267,305	0.3201%
Warren	2	0.08%	\$4,826	0.0002%

	<i>Total Companies</i>	<i>Percent of Total Companies</i>	<i>Dollar Volume of Business*</i>	<i>Percent of Total Business</i>
Total Number of Vendors Receiving Payment	6,633	100.00%	\$3,115,333,039 **	100.00%
New Jersey Enterprises	2,611	39.36%	\$2,270,675,291	72.89%
Pennsylvania Enterprise	784	11.82%	\$234,658,817	7.53%
New York Enterprises	726	10.95%	\$159,838,782	5.13%
Delaware Enterprises	31	0.47%	\$3,712,474	0.12%
All Other States	2,381	35.90%	\$436,617,559	14.02%
Foreign Enterprises	100	1.51%	\$9,830,116	0.32%

* "Dollar Volume of Business" represents only money paid by casino licensees for good or services. This figure does not include such payments as governmental taxes, fines and fees to the Casino Control Commission, charitable contributions, guest losses or court garnishments.

** This dollar figure includes disbursements to subcontractors made pursuant to N.J.A.C. 19:43-10.6(a)5.

Numbers reflect the states in which the offices serving the hotel/casinos are located and may not be the states in which the enterprises are incorporated or have a home office.

NEW JERSEY CASINO INDUSTRY ENTERPRISE REGISTRATION AND LICENSING STATISTICS

FOR THE PERIOD OF JANUARY 1, 2003 THROUGH DECEMBER 31, 2003

Registration and Licensing Processing Statistics

Vendor Registrations Processed	2,840
Enterprises Prohibited from Conducting Business with Casino Licensees	266*
Exemptions From Licensure Granted By CCC	8

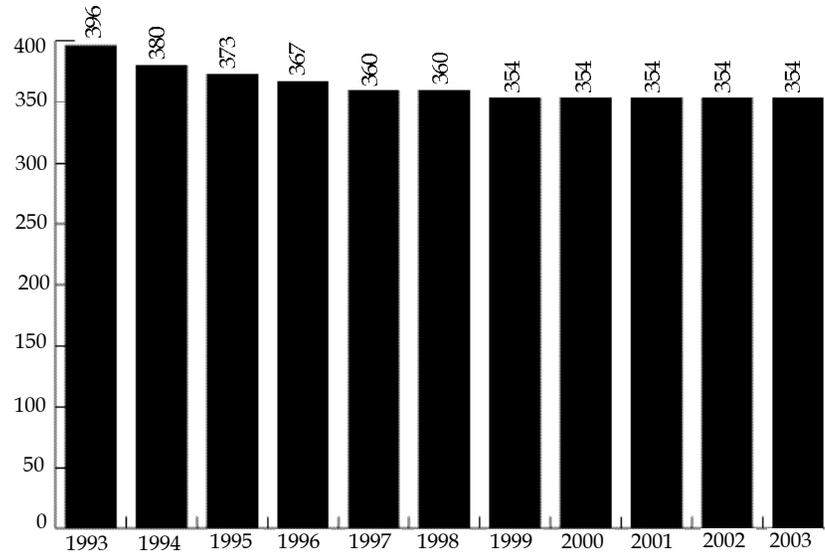
Registration and Licensing Status Totals

Universe of Active Vendors	12,124
Universe of Prohibited Vendors	1,092 *
Gaming Schools Currently Operating	4
Labor Organizations Currently Registered	8

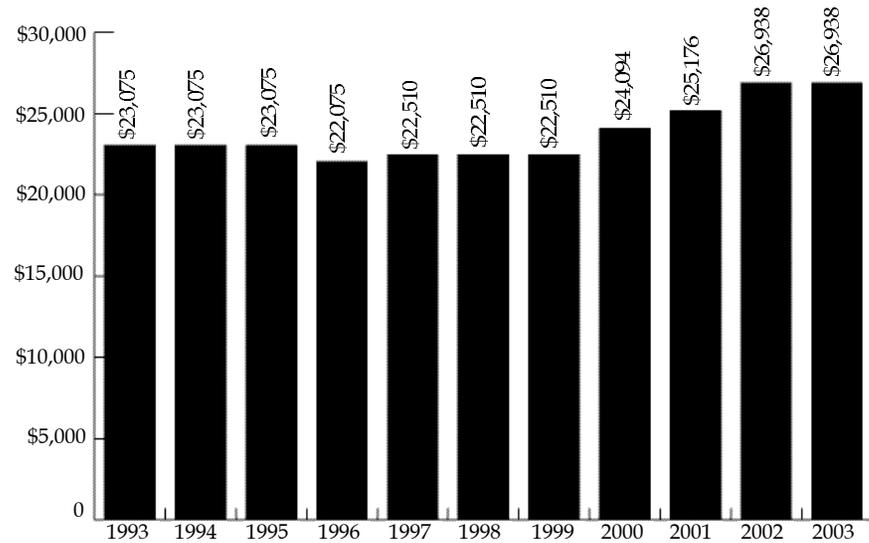
<i>Initial</i>	<i>Renewal</i>	
<i>Casino Service Industry Licenses</i>	<i>Casino Service Industry Licenses</i>	<i>Licensed Casino Service Industry Enterprises</i>
Gaming Related:	Gaming Related:	Initial Licensees:
Applications Filed 14	Applications Filed 8	Gaming 15
Licenses Issued 5	Licenses Issued 10	Nongaming 561
Licenses Denied 0	Licenses Denied 0	Junket 24
Withdrawals Granted 3	Withdrawals Granted 1	
Non-Gaming Related:	Non-Gaming Related:	Renewal Licensees:
Applications Filed 298	Applications Filed 175	Gaming 42
Licenses Issued 190	Licenses Issued 161	Nongaming 570
Licenses Denied 8	Licenses Denied 2	Junket 50
Withdrawals Granted 17	Withdrawals Granted 5	
Junket Enterprises:	Junket Enterprises:	
Applications Filed 4	Applications Filed 6	
Licenses Issued 6	Licenses Issued 16	
Licenses Denied 1	Licenses Denied 1	
Withdrawals Granted 1	Withdrawals Granted 1	

* This figure includes enterprises prohibited from doing business for the following reasons: denial of a casino service industry license, failure to file a casino service industry license application, withdrawal of a casino service industry license, and nonfiling of a required vendor registration form.

NEW JERSEY CASINO CONTROL COMMISSION NUMBER OF AUTHORIZED EMPLOYEE POSITIONS
 FOR THE FISCAL YEARS ENDED JUNE 30



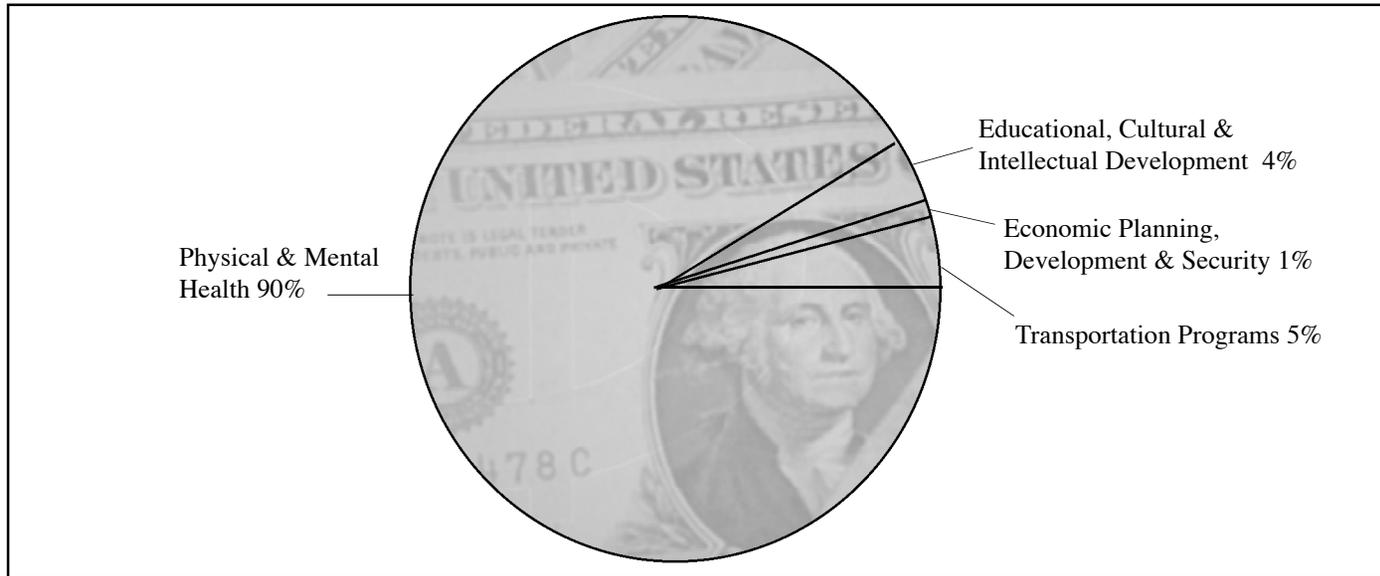
NEW JERSEY CASINO CONTROL COMMISSION BUDGET APPROPRIATIONS FOR THE FISCAL YEARS ENDED JUNE 30



Casino Revenue Fund Expenditures

FISCAL YEAR 2003 (%)

The Casino Revenue Fund total expenditures for the fiscal year 2003 amounted to \$434,838,608



New Jersey casinos pay the state eight percent tax on their gross revenues. Gross gaming revenue is the amount casinos win from gamblers after all payouts have been made. The taxes are deposited into the Casino Revenue Fund.

The State Legislature, through the budget, determines the allocation of funds. Input from the Casino Revenue Fund Advisory Commission directs where the money can be spent.

Senior citizens and persons 18 or older with disabilities may qualify for Casino Revenue Fund programs. Qualified New Jersey residents realize tremendous benefits from the tax dollars generated by Atlantic City casinos.

INDEPENDENT
AUDITOR'S REPORT

2002-2003

LEGISLATIVE SERVICES COMMISSION

SENATOR JOHN O. BENNETT
Co-Chairman

SENATOR RICHARD J. CODEY
Co-Chairman

ASSEMBLYMAN ALBIO SIRES
Vice-Chairman



SENATE

BYRON M. BAER
ANTHONY R. BUCCO
NIA H. GILL
BERNARD F. KENNY, JR.
ROBERT E. LITTELL
ROBERT W. SINGER

GENERAL ASSEMBLY

PETER J. BIONDI
FRANCIS J. BLEE
ALEX DECROCE
PAUL DIGAETANO
JOSEPH V. DORIA, JR.
JOSEPH J. ROBERTS, JR.
LORETTA WEINBERG

New Jersey State Legislature

OFFICE OF LEGISLATIVE SERVICES

OFFICE OF THE STATE AUDITOR

125 SOUTH WARREN STREET

PO BOX 067

TRENTON NJ 08625-0067

RICHARD L. FAIR

State Auditor

(609) 292-3700

FAX (609) 633-0834

ALBERT PORRONI

Executive Director

(609) 292-4625

The Honorable James E. McGreevey
Governor of New Jersey

The Honorable Richard J. Codey
President of the Senate

The Honorable Albio Sires
Speaker of the General Assembly

Mr. Albert Porroni
Executive Director
Office of Legislative Services

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of the State of New Jersey Casino Control Fund as listed in the accompanying table of contents as of and for the years ended June 30, 2003 and 2002. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Casino Control Fund and are not intended to present fairly the financial position and results of operation of the State of New Jersey in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Casino Control Fund as of June 30, 2003 and 2002 and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2004 on our consideration of the Casino Control Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison schedule is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Expenditure Detail schedule is presented for the purpose of additional analysis and is not a required part of the Casino Control Fund financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Casino Control Fund financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Richard L. Fair
State Auditor
February 25, 2004

**STATE OF NEW JERSEY
CASINO CONTROL FUND
BALANCE SHEET
JUNE 30, 2003 AND 2002**

<u>ASSETS</u>	<u>2003</u>	<u>2002</u>
Cash	\$ 51,000	\$ 51,000
Accounts Receivable	8,023,999	6,634,901
Less: Allowance for Doubtful Accounts	<u>42,161</u>	<u>30,327</u>
Net Accounts Receivable	7,981,838	6,604,574
Due from General Fund	<u>10,604,017</u>	<u>8,399,819</u>
Total Assets	<u>\$ 18,636,855</u>	<u>\$ 15,055,393</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities		
Accounts Payable	\$ 4,502,830	\$ 4,769,552
Deferred Revenue	<u>5,878,732</u>	<u>8,204,000</u>
Total Liabilities	<u>10,381,562</u>	<u>12,973,552</u>
Fund Balances		
Reserved for:		
Encumbrances	1,980,961	696,795
Unreserved:		
Designated for Continuing Appropriation	1,944,696	1,524,871
Undesignated	<u>4,329,636</u>	<u>(139,825)</u>
Total Fund Balances	<u>8,255,293</u>	<u>2,081,841</u>
Total Liabilities and Fund Balances	<u>\$ 18,636,855</u>	<u>\$ 15,055,393</u>

The accompanying notes are an integral part of the financial statements

**STATE OF NEW JERSEY
CASINO CONTROL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002**

<u>REVENUES</u>	<u>2003</u>	<u>2002</u>
Casinos		
Licenses - Casino	\$ 41,411,777	\$ 38,455,331
- Slot Machine	19,605,006	19,041,411
- Alcoholic Beverage	139,895	150,269
Assessments	<u>-</u>	<u>-</u>
	61,156,678	57,647,011
Credits - Prior Year Fund Balance	<u>(2,081,841)</u>	<u>(10,503)</u>
Total from Casinos	<u>59,074,837</u>	<u>57,636,508</u>
Other Sources		
Licenses - Casino Employees	3,530,356	2,051,606
- Casino Service Industry	1,250,360	1,225,565
Equipment Prototype Testing	1,131,470	923,527
Other Revenues	<u>159,852</u>	<u>142,259</u>
Total from Other Sources	<u>6,072,038</u>	<u>4,342,957</u>
Investment Earnings	<u>239,795</u>	<u>242,185</u>
Total Revenues	<u>65,386,670</u>	<u>62,221,650</u>
<u>EXPENDITURES</u>		
Public Safety and Criminal Justice (Division of Gaming Enforcement)	34,586,169	35,132,419
Government Direction, Management and Control (Casino Control Commission)	<u>24,627,049</u>	<u>25,018,589</u>
Total Expenditures	<u>59,213,218</u>	<u>60,151,008</u>
Net Increase (Decrease) in Fund Balance for the Year	6,173,452	2,070,642
Fund Balance - Beginning	<u>2,081,841</u>	<u>11,199</u>
Fund Balance - Ending	<u>\$ 8,255,293</u>	<u>\$ 2,081,841</u>

The accompanying notes are an integral part of the financial statements

**STATE OF NEW JERSEY
CASINO CONTROL FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

B. Financial Reporting Entity

The Casino Control Commission and the Division of Gaming Enforcement are agencies of the State of New Jersey. N.J.S.A. 5:12-143 established the Casino Control Fund to account for the financial transactions of these agencies.

C. Fund Level Financial Statements

The State of New Jersey issues government-wide financial statements that report information for all of the non-fiduciary activities of the State including that of the Casino Control Fund. Due to the legislative mandate that the Casino Control Fund be financed exclusively by licensing fees assessed upon the casino industry, a Fund Level Financial Statement is prepared for the Casino Control Fund.

A Fund Level Financial Statement includes a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances.

D. Measurement Focus and Basis of Accounting

The Casino Control Fund statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and liabilities are included on the balance sheet. The operating statement for the fund presents increases and decreases in total fund balances.

In accordance with the modified accrual basis, revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues susceptible to accrual would include casino license fees.

Expenditures are recognized when the related fund liabilities are incurred. Disbursements for prepaid expenses, inventory items, and fixed assets are recorded as expenditures when incurred.

E. Fund Accounting

The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, which represents the fund's assets, liabilities, equity, revenues, and expenditures or expenses. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds.

Governmental Fund Type - Special Revenue Fund

The Casino Control Fund is a governmental fund type - Special Revenue Fund. Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, private purpose trusts, or for major capital projects) that are legally restricted to expenditure for specified purposes.

The Casino Control Fund (N.J.S.A. 5:12-143) accounts for fees from the issuance and renewal of casino licenses and other license fees. Appropriations are made to the Casino Control Fund to finance the operations of the Casino Control Commission and the Division of Gaming Enforcement.

F. Budgetary Process

An annual budget is adopted for the Casino Control Fund. The Legislature enacts the budget through passage of specific appropriation, the sum of which may not exceed estimated revenues. The annual appropriations act for fiscal year 2003 authorized \$62,737,000. Budgetary control is maintained at the program unit level.

During the year, the spending authority delineated in the appropriations act may be revised for supplemental appropriations approved by both the Legislature and the Governor. For fiscal year 2003, neither the Casino Control Commission nor the Division of Gaming Enforcement was granted an additional appropriation. Additional appropriation authority is granted to recover prior year deficits.

A Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual-Budgetary Basis for the fiscal year ended June 30, 2003 is presented as required supplementary information to these statements. This statement presents a comparison of the final budget adopted for the Casino Control Fund with actual data on a budgetary basis.

The state's budgetary basis of accounting differs from that utilized to present financial statements in conformity with generally accepted accounting principals (GAAP). The main differences between the budgetary basis and the GAAP basis are that under

the budgetary basis encumbrances are recognized as expenditures, and the budgetary basis reflects transactions only for the current fiscal year.

There were no expenditures in excess of appropriations in the Casino Control Fund.

G. Fund Balances

The fund balances of the Casino Control Fund consist of the following:

- 1) Reserved for Encumbrances - Used to segregate a portion of fund balance to provide for expenditure upon vendor performance of purchase agreements.
- 2) Reserved - Other - Used to segregate a portion of the fund balance to provide for anticipated expenditures in future fiscal years.
- 3) Unreserved - Designated for Continuing Appropriations - Used to represent that portion of fund balance which has been appropriated by the Legislature.
- 4) Unreserved - Undesignated - Used to represent that portion of fund balance resources available for appropriation.

H. Other

Other significant accounting policies are described in Notes 2 to 11.

NOTE 2 - Cash

Represents a \$500 petty cash fund maintained by each agency and a \$50,000 confidential fund maintained by the Division of Gaming Enforcement.

NOTE 3 - Accounts Receivable

Represents amounts due from casinos and related entities. Net receivables are substantially collected within three months.

Allowance for doubtful accounts represents one hundred percent of non-current receivables.

NOTE 4 - Due From General Fund

Cash transactions of the Casino Control Fund are made by and through the General Fund cash accounts. The balance of cash for this fund held in the General Fund, after receipt and disbursement transactions, is accounted for and reflected in the Due From account on the Balance Sheet.

NOTE 5- Capital Assets

Capital Assets acquired with fund resources are recorded as expenditures of the fund at the time of acquisition. Assets greater than \$20,000 are also recorded in the State’s government-wide financial statements. A summary of these capital assets and related accumulated depreciation for the year ended June 30, 2003 follows:

<u>Program</u>	<u>Asset</u>	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>Accum. Depreciation</u>	<u>Net Capital Assets</u>
Government Direction, Management and Control	Machinery & Equipment	\$1,024,685	-	\$736,368	\$191,252	\$97,065
Public Safety and Criminal Justice	Machinery & Equipment	\$ 787,789	\$284,468	\$218,666	\$366,809	\$486,782

NOTE 6- Deferred Revenue

Deferred Revenue represents fiscal year 2004 and fiscal year 2003 slot machine license billings collected and recorded in June 2003 and 2002, respectively.

NOTE 7 - Fund Balance

The positive fund balance as of June 30, 2003 and June 30, 2002 resulted from revenues exceeding expenditures. Pursuant to N.J.A.C. 19:41-9.1(e) the balance at June 30, 2003 will be credited to casino licensees during fiscal year 2004 in proportion to the relative amount of total fees incurred or paid by each casino licensee with respect to the fiscal year ended June 30, 2003. The balance at June 30, 2002 was credited in the same manner to casino licensees during fiscal year 2003.

NOTE 8 - Employee Benefit Costs

Fringe benefit costs which include pension, health benefits, payroll taxes, and amounts for unused sick leave are originally paid by the General Fund and are charged to the Casino Control Fund using a composite fringe benefit rate.

Cash payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on fifty percent of the employee’s sick leave accumulation, at the pay rate in effect at the time of retirement up to a maximum of \$15,000. Employees separating from state service prior to retirement are not entitled to payments for accumulated sick leave balances. Sick leave accumulations may also be used by an employee for a personal illness or injury as a means of continuing regular pay. The liability for accumulated employee sick leave balances as of June 30, 2003 and June 30, 2002 of approximately \$3.6 million and \$3.9 million, respectively, is reflected as a non-current liability on the State’s government-wide financial statements and is not accrued in these financial statements.

Employees annually earn 12 to 25 vacation days based on years of service and are permitted to carry over those days earned within a one-year period. The liability for accumulated vacation pay as of June 30, 2003 and June 30, 2002 of approximately \$1.2 million and \$1.3 million, respectively, is reflected as a non-current liability on the State's government-wide financial statements and is not accrued in these financial statements.

NOTE 9 - Interest

The General Fund charges interest to the Casino Control Fund when disbursements exceed receipts collected and credits interest to the Casino Control Fund when receipts collected exceed disbursements made. The interest rate used during fiscal year 2003 and fiscal year 2002 was equal to the effective rate of return on investments in the General Fund and varied from 1.35% to 2.26% in fiscal year 2003 and from 2.23% to 4.46% in fiscal year 2002. The net effect of these transactions is reflected in the Investment Earnings account on the Statement of Revenues, Expenditures, and Changes in Fund Balances.

NOTE 10 - Contingent Liability

As of the issuance date of these statements, the Casino Control Fund is not involved in any legal actions wherein there is potential for unanticipated expenditure. Should any legal actions subsequently materialize, N.J.A.C. 19:41-9.1 allows the Casino Control Fund to apportion any uncollected cost among the licensed casino facilities.

NOTE 11- Restatement of Fund Balance

The fund balance at the beginning of fiscal year 2002 has been restated from \$10,503 to \$11,199 so that the fund balance is in agreement with that reflected on the State's financial statements. This difference is the result of the Casino Control Fund and the State's General Fund recognizing certain dishonored checks in different accounting periods.

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW JERSEY
CASINO CONTROL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Casino				
Licenses - Casino	\$ 37,737,580	\$ 37,737,580	\$ 39,329,936	\$ 1,592,356
- Slot Machine	19,256,500	19,256,500	19,605,006	348,506
- Alcoholic Beverage	161,683	161,683	139,895	(21,788)
Assessments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total from Casinos	<u>57,155,763</u>	<u>57,155,763</u>	<u>59,074,837</u>	<u>1,919,074</u>
Other Sources				
Licenses - Casino Employees	3,367,137	3,367,137	3,532,856	165,719
- Casino Service Industry	1,083,250	1,083,250	1,247,860	164,610
Equipment Prototype Testing	990,000	990,000	1,131,470	141,470
Other Revenues	<u>140,850</u>	<u>140,850</u>	<u>159,852</u>	<u>19,002</u>
Total from Other Sources	<u>5,581,237</u>	<u>5,581,237</u>	<u>6,072,038</u>	<u>490,801</u>
Investment Earnings	<u>-</u>	<u>-</u>	<u>239,795</u>	<u>239,795</u>
Total Revenues	<u>62,737,000</u>	<u>62,737,000</u>	<u>65,386,670</u>	<u>2,649,670</u>
EXPENDITURES				
Public Safety and Criminal Justice (Division of Gaming Enforcement)	36,039,438	36,039,438	35,079,987	959,451
Government Direction, Management and Control (Casino Control Commission)	<u>28,239,180</u>	<u>28,239,180</u>	<u>25,673,187</u>	<u>2,565,993</u>
Total Expenditures	<u>64,278,618</u>	<u>64,278,618</u>	<u>60,753,174</u>	<u>3,525,444</u>
Net Change in Fund Balance	(1,541,618)	(1,541,618)	4,633,496	6,175,114
FUND BALANCE - JULY 1, 2002	<u>2,081,841</u>	<u>2,081,841</u>	<u>2,081,841</u>	<u>-</u>
FUND BALANCE - JUNE 30, 2003	<u>\$ 540,223</u>	<u>\$ 540,223</u>	<u>\$ 6,715,337</u>	<u>\$ 6,175,114</u>

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW JERSEY
CASINO CONTROL FUND
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Budgetary Basis - Net Increase in Fund Balances **\$ 4,633,496**

Differences - Budget to GAAP

Encumbrances for items ordered but not received are reported in the year the resources are encumbered for budgetary purposes, but in the year the items were received for GAAP purposes. \$ 1,821,989

Expenditures in prior fiscal year accounts are reported in the year the resources are encumbered for budgetary purposes, but in the year the funds are disbursed for GAAP purposes. (282,033)

Total Differences - Budget to GAAP \$ 1,539,956

GAAP Basis - Net Increase in Fund Balances **\$ 6,173,452**

SUPPLEMENTARY INFORMATION

**STATE OF NEW JERSEY
CASINO CONTROL FUND
EXPENDITURE DETAIL
FISCAL YEARS ENDED JUNE 30, 2003 AND 2002**

	2003		2002	
	PUBLIC SAFETY AND CRIMINAL JUSTICE	GOVERNMENT DIRECTION MANAGEMENT AND CONTROL	PUBLIC SAFETY AND CRIMINAL JUSTICE	GOVERNMENT DIRECTION MANAGEMENT AND CONTROL
<u>EXPENDITURES:</u>				
Salaries	\$ 23,074,161	\$ 17,750,057	\$ 23,264,218	\$ 17,826,910
Payroll Taxes and Employee Benefits	5,114,827	4,235,539	5,447,219	4,577,171
Printing and Office Supplies	159,918	185,972	159,529	120,902
Vehicular Supplies	118,686	-	103,645	-
Travel	126,775	80,673	191,082	43,512
Telephone	298,982	178,314	309,937	168,961
Data Processing	590,941	522,129	376,669	489,508
Professional Services	200,310	61,592	130,982	116,170
Other Services Other than Personal	890,623	152,745	484,115	149,364
Rent-Facilities	2,176,997	1,100,652	2,153,222	1,148,817
Rent-Automobiles and Other	104,324	106,806	99,012	106,594
Indirect Costs	1,049,310	61,708	1,563,775	70,953
Improvements	-	-	-	-
Office Equipment	178,749	41,285	386,146	104,025
Vehicular Equipment	172,377	-	162,153	-
Other Equipment	<u>329,189</u>	<u>149,577</u>	<u>300,715</u>	<u>95,702</u>
TOTAL EXPENDITURES	\$ <u>34,586,169</u>	\$ <u>24,627,049</u>	\$ <u>35,132,419</u>	\$ <u>25,018,589</u>

*New Jersey Casino Control Commission
Tennessee Avenue & Boardwalk
Atlantic City, NJ 08401
609-441-3422*

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